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Is It Peace?

By the Rt. Hon. H. A. L. Fisher

THE dissensions of the economists are notorious. There is, however, one matter at least with respect to which all economists are united. They are opposed to war. It is needless here to elaborate the many reasons for thinking that war is injurious to the prosperity of the world. If anyone doubts the truth of that proposition let him recur to the writings of Sir Norman Angell, or look upon the world around us. *Si monumentum quaeris, circumspice.* The economic maladjustments of the present hour, with all the suffering which they entail, are, in the last resort, to be attributed to the dislocation of industry and commer .e which was occasioned by the world war. But for this, the U.S.A. would not be paying farmers out of the public funds to raise the price of food to the community.

While the preservation of peace is to the economic interest of the world as a whole, there is no human group which has more to gain from peace and more to lose from war than the British Commonwealth of Nations. The life-blood of our Empire is commerce and industry. Our policy must always be broadly identical with the ends which the League of Nations was set up to promote. Even the prosperity of a British armament town during war time is heavily offset by the loss and unemployment which follow when the demand for war material ceases, and the war plant runs to waste, and every branch of the industry is weighed by vast overhead charges, which bear no relation to the contracted volume of its work in peace time. Now, when we have again become adjusted to peace conditions and our holdings in Germany alone amount to several hundred millions, the outbreak of a war would be an immeasurable calamity to the

inhabitants of this island. Indeed, our economic stake in peace is so great and so well known that there is even a danger that a foreign power might so presume upon it as to argue that under no circumstances would we again permit ourselves to be drawn into a Continental struggle. That would be a dangerous assumption. Apart from the specific obligations of Great Britain under the Treaty of Locarno and the Covenant of the League of Nations, there has always been in the foreign policy of our country a genuine vein of sentimental chivalry which in its startling and sometimes capricious manifestations upsets the calculations of foreign chancelleries. In the seventeenth century we were pro-Vaudois; in the eighteenth century our sympathies were enlisted by the African slave. In the nineteenth century we were pro-Greek, pro-Italian, pro-Bulgar, pro-Armenian. In the great war New Zealand, fighting that Belgium might be free, lost more lives than Belgium herself. A government that shows itself oppressive, brutal, intolerant, at once forfeits the sympathy of the good-humoured British people. There may be a thousand million good sterling reasons why Britain should not embark on a foreign quarrel, yet if the population of this island should once be stirred by a strong emotion of compassionate wrath, those thousand million good sterling reasons will be a thousand million scraps of paper. Overwhelming as is Britain's interest in peace, it is never safe to presume that it will always, and upon every circumstance, be decisive. There are reasons of the heart which the purse does not know.

At last it would seem that an end of our worst economic troubles is in sight. The problem of unemployment is not yet solved, but is beginning to yield to treatment. After the severest crisis which they have known in modern times, the Americans are beginning to conceive hopes from the audacious, comprehensive, and not always consistent policies of the President of the United States. A decade of uninterrupted peace should bring the world on to an altogether higher level of material prosperity.

And yet at this very moment when, for the first time since the war, we are justified in entertaining hopes of an economic revival, which is something more than a temporary spasm, the spectre of war raises its head once more. There is serious trouble in the Far East. To the belligerent relations of Japan and China there is now added a state of dangerous friction

between Japan and the U.S.S.R. Half a century ago these quarrels might have left the Western World totally indifferent. It is not so now. The United States and Britain through her Australian Dominions and China trade are Pacific powers and cannot help being concerned when storms are brewing in the Far East, which in a thousand-and-one unforeseen ways may provoke a sharp collision of interests, and affect the peaceful intercourse which is the life-blood of trade.

Yet more disquieting is the prospect in Europe itself. The Germans have overthrown their republic, chosen Adolf Hitler as their leader, and announced their withdrawal from the League and the Disarmament Conference. Of all forms of nationalism, Hitlerism appears to be the most concentrated. In the Nazi state there are to be no classes, no political parties, no trades unions, no quasi-autonomous federal units. Cosmopolitan or liberal thought is violently suppressed. Germany is to suffice to itself. The god of Germany is a German; the Jews, being aliens, are placed outside the civic pale. Seeing that the economic revival of the world is by common confession seriously retarded by national tariffs, this notable aggravation of the national spirit in Germany is not likely to be welcomed by economists. Mere nationalisation, however, is not necessarily an economic drawback; it may, in fact, have specific economic advantages. Hitlerism, by putting more heart into the German people, may lead to a fresh outburst of industrial and commercial energy, which will assist the prosperity of the world. The totalitarian state, however repressive it may be of liberty, offers at any rate the great advantage of relieving the community of the disastrous economic waste due to the strikes and lock-outs which are the normal accompaniment of our free industrial civilisation. But what gives anxiety to the world is the reaction of the Nazi state to the problem of armaments. That a great deal of secret armament contrary to the treaties now goes forward in Germany is admitted.

This is not all. The Germans claim "equality of treatment" in respect of armaments with the victor powers. In plain language, either France must consent to reduce, or Germany must be allowed to increase. There is no other alternative, unless Europe is to relapse once more into the fatal system of rival coalitions, each competing with one another in armaments, which led to the great war, and, if acquiesced in, would only again lead to a similar catastrophe in future.

In the midst of these alarms and excursions it is above all necessary to eschew extravagant fears. Europe has time before it, within which it may recover the stability which was so seriously shaken by Armageddon. Russia has made non-aggressive pacts with her neighbours. The relations of the Danubian states have never been so good. The weight of Italy is thrown in the scales for peace. Even Greece and Turkey have come to an accommodation, than which there can be few greater political miracles. Indeed, there is not a nation in Europe which wants war *now*. The Germans, who understand more about war than any other people in Europe, are well aware that for technical reasons they would have very little chance of waging a successful war in Europe for many years to come, and the Germans are naturally disposed to lay great stress on technical equipment. It is, no doubt, easy to extract from the utterances of Herr Hitler and his henchmen a series of menacing and bloodthirsty threats, from which there could only be one conclusion, namely, that Germany is a tiger in the centre of Europe waiting for its time to spring. It would be unwise for statesmen and economists to lay their plans on this hypothesis. The French have a well-known saying, "*socialiste pour arriver*"; and the bellicose language which served to gain Herr Hitler his remarkable electoral victory was very soon discarded for a reassuring message of pacific intentions when he reached a position of responsibility. Nor is it necessary to believe that Hitlerite Germany will, in fact, adopt the policy of isolation and self-sufficiency which played so great a part in the electoral campaign. Mr. de Valera may be able to carry out such a policy in Ireland. He may be able to hypnotise his followers into a belief that a small island community burning nothing but peat, living on little but potatoes, and shutting itself off from commerce with the outside world may attain to levels of blessedness and spiritual welfare far beyond the reach of any community contaminated by the disturbing poisons of international trade. The Germans, however, are not made in that way. They are world traders and will continue to be so. Foreign markets are for them, almost in the same degree as for us, an economic necessity.

It is pertinent also to observe that the extraordinary revolution in Germany was to a very large extent the result of a series of shattering economic convulsions, each in turn capable of shaking to its foundations the social discipline of a great

people. First came the war, then the inflation, then (1924–9) an unwholesome boom nourished by foreign loans calculated to amount to seven hundred and fifty millions, and finally, in 1929, the great American crash which brought about an instant collapse of German business and threw six million unemployed on the street. The normal consequences of these sharp alterations of fortune may easily be imagined. Many a well-informed writer has depicted the stunning effect upon the public mind of the country of the complete and disastrous betrayal of brilliant hopes, so long, so firmly, and so lately entertained. All the old political landmarks were submerged; all the old political guides had vanished. As M. Pierre Viénot, a French deputy, has observed, " the war was part of the established order, and, painful as it was, it aroused no problem. Then suddenly, in a single month, it was all swept away. No more victory, no more Kaiser, no more army, no more ruling classes, no more government. A complete collapse. What had been indisputable a few weeks before now had no meaning. At the same moment anything became possible, even Bolshevism, which Germany experienced in all its early phases. From one day to the next the whole of life, the whole world, showed itself in colours which were more than half incomprehensible. We have no idea in France of the moral upheaval caused by the defeat and revolution in Germany. Because there was no commune in Germany—although 2,000 people were killed in the disorders of the first few months following the armistice, without counting those of the Spartacist outbreaks in succeeding years—because Germany, at its wit's end, reacted against the collapse of order by abandonment and passivity, and not, for example, by a passionate and creative wave of democratic feeling, we imagined that it was not touched to its depths by what had happened, and that it remained purely and simply 'Germany.' A grave mistake."* Without much conviction or hope, but only as the least unpromising of courses, the people accepted the Weimar Republic. But hardly had that been done when the German people experienced a second stunning blow. The miseries of the inflation were almost worse than the humiliation of military defeat. In a few weeks honest, hard-working German families found that the savings of a lifetime had disappeared. " The

* "Is Germany Finished?" by Pierre Viénot, quoted by Vernon Bartlett, "Nazi Germany explained," pp. 44–45.

biggest fact of the new Germany," writes Mr. Horsfall Carter, one of the first students in this country to realise Nazi potentialities, " is the complete detachment of her middle class from the ordinary ' capitalist ' moorings. Those German families which were putting by their modicum of savings for old age, those professional men who depended partly on family reserves, saw the whole basis of their economic life swept away in the inflation. To-day, out of 63,000,000 Germans only 2,500,000 possess capital exceeding 500 marks (£250), while of the 32,500,000 who are in employment 90 per cent. earn less than 200 marks a month (£120 a year)."*

A calamity on this scale, like a great plague or a great earthquake, causes a demoralisation which is not swiftly surmounted. The German people were not in the frame of mind which enables a community to make the best use of a sudden access of good fortune. When, after the Dawes report and the advent of Streseman to power, American money came pouring into the country and the wheels of business once more began to revolve, and new men became rich very quickly, and on every side the traveller beheld new factories and imposing new bank buildings and every sign of lavish and grandiose expenditure, all was not really well. In the use of the new wealth there was a lack of sobriety and self-control. Moral discipline had broken down. A state of feeling dangerous to social stability set in. On the one side were the impoverished victims of the inflation; on the other a tribe of new-made profiteers flaunting their vices and their wealth with a vulgar and offensive ostentation.

On a Germany thus uneasy and divided there descended the tremendous economic catastrophe of 1929. The fortunes of the Nazi party were made. Whereas the election in May, 1928, had given the Nazis 809,541 votes and 12 seats in the Reichstag, at the elections of September, 1930, the Nazis polled 6,406,397 votes and gained 167 seats. There could be no clearer evidence of the influence of the economic collapse upon the political fortunes of the Hitlerite party. Of the six million German workers thrown out of employment by the débâcle in New York, the vast majority passed into the Nazi camp. The crisis continued: trade went from bad to worse. In July, 1932, the economic condition of Germany was even more forlorn than it had been two years ago. Again it was Hitler

* *Ibid*, p. 42.

who profited by the public distress. With a total poll of more than thirteen million, his party was returned to the Reichstag with 230 seats.

It is worth while laying stress upon these economic circumstances. Among the factors which go to explain the present régime in Germany, and the present inflamed state of the public mind in that country, material misery ranks high. And it is therefore reasonable to expect that the fevers which have been excited by hunger and want will to some extent at least be allayed by the return of prosperity. At the moment Germany is suffering from hysteria. Her condition is pathological. It would be unsafe to proceed upon the hypothesis that the symptoms in her present position which give most alarm to the world are permanent and irretrievable.

A recent German writer has drawn attention to another feature of German mentality which is not always perhaps given its due weight in this country. The Germans must have a master. It is not so much the thirst for a new war as the passion for military discipline and obedience which leads young Germans to enrol themselves in military formations and definitely to prefer drill to play. The fixed limitation of the German army to a hundred thousand men under the Treaty of Versailles was no doubt unpopular in Germany because it was an order imposed by a foreign enemy as part of a humiliating peace : but it was even more distasteful as a blow aimed at an institution which, whether as a national pastime popular as football and cricket in England, or as a training ground for the exercise of civic virtue, had for several generations received the support of the entire German people. It must not, then, be concluded that every German who likes drill is burning to exchange the comfort of home for the hardships of the trenches. That there is a section, and not an unimportant section, of the German public, which believes in war as a wholesome and salutary institution is unfortunately true. The gospel of Moltke, of Nietzsche and of Treitschke is still alive and is at the present moment being preached to the German people with all the mechanised and well-understood devices of modern mass suggestion. This strikes us, who are English, as terrible. There can be no permanent peace in Europe so long as one of the great European nations believes in violence as good in itself. Fortunately there is no need to take so tragic a view of the prospect. Though at the moment there is a singular degree of

emotional unanimity in Germany, there is happily much intellectual diversity. The revolt of the Lutheran pastors is a symptom that the free spirit of German Protestantism, which roused Europe in the sixteenth century, is not entirely dead.

It is naturally to the economic no less than to the moral interest of the world that the German people should be made to understand that there is a real desire among her former enemies to bury the hatchet. Herr Hitler has not found it politic to acknowledge the extent to which, under the despised Weimar Republic, the financial and military clauses of the Treaty of Versailles were modified to the advantage of Germany; how, for instance, military control was abolished, and reparations were written down to about nine-tenths of their former figure, and the Rhineland was evacuated from foreign troops five years before the stated time. These concessions are never mentioned now. No Nazi cares to remember that "the policy of fulfilment," which has made the names of Streseman and Brüning odious to young storm-troopers, did in fact result in securing substantial benefits for the German people. It is convenient to forget the success of Republican diplomacy. Yet it is only through the method of diplomatic collaboration with other countries that Germany can at the present moment hope to improve her position.

No sound economist will be disposed to undervalue the services of diplomacy to the cause of peace and prosperity throughout the world. Now, diplomacy may be of two kinds. There is the day-to-day handling of international business. Many diplomatists spend their lives on nothing else; but on rare occasions diplomacy is offered a wider and more ambitious perspective. By a provident survey of the possible contingencies of the future it may so adjust national interests on a comprehensive plan as to preclude the chances of quarrel for long spaces of time. Of this later kind of provident diplomacy there has been no more striking example than the peaceful partition of the African continent in the nineteenth century, among the imperialist European powers.

Of that settlement Germany now has ceased by reason of the war to benefit. It is natural that she should feel aggrieved. Every student of history is aware of the influence which the mere idea of *Einkreisung*, or encirclement, exercised on the German mind in the decade preceding the war. The Germans felt themselves penned in and stifled. They were conscious of

great powers for marine warfare, for colonisation, for empire, the full exercise of which had been denied them by the malignity of fate. They were not content with losing citizens to Britain or Brazil, but were anxious for a greater Germany in Asia Minor or in Africa, where Germans might live and prosper under the German flag. It does not fall to Englishmen to blame them for entertaining such dreams. Moreover, they have a question of population to consider. The German people grow in numbers not so rapidly as the Poles, not so rapidly as Herr Hitler, mindful of Polish competition, desires and means it to grow, but still by sensible increments. The problem of providing suitable outlets for the expanding German population is one which ought to be taken in time and studied sympathetically in conjunction with the German government.

The question of population, however, must not be looked upon solely from the German angle. There are other countries which may rightly feel anxiety as to the future of their growing population, and lands in various parts of the globe which appear to offer a field for emigration. Here is a table relating to four important nations, which is designed to exhibit the figure which their respective populations will have reached in 1974, assuming that the existing rate of increase is maintained. The calculations are based on returns given in the *Statesman's Year Book*, and are very approximate.

Population (millions).

	1934	1944	1954	1964	1974
Germany	65·2	68·3	71·4	74·6	77·7
Poland ...	33·4	38·3	43·2	48·1	53·1
Italy ...	42·2	45·8	49·4	53·1	56·7
Japan ...	68·0	76·7	85·4	94·1	102·8

It will be observed that according to this table the population of Poland may be expected in forty years' time to be increased by twenty millions, that of Germany by twelve millions only. Now it would be a complete violation of all Nazi principles to attempt to absorb the Poles by a process of racial fusion. Pole and German are separate races and must be kept jealously and severely apart. The Pole, therefore, is in German eyes an unpleasant phenomenon, the existence of which must be endured. He cannot be wiped off the face of the earth. He cannot, save with the concurrence of Russia, now bitterly alienated from Germany by the fierce anti-Semitic and anti-Communist propaganda of the omnipotent Nazi party, be

obliterated. The logic of circumstance points to an accommodation between Berlin and Warsaw. The well-being of all that part of Europe in future depends upon the degree to which the Polish and German governments can get together and so provide that in a relatively sparsely populated region Polish and German settlements shall be able to thrive side by side. It must not be assumed that the present antagonism of Poland and Germany over Silesia and the Corridor can never be accommodated. As Viscount d'Abernon, one of our shrewdest political observers, has remarked, the true affiliations of Moscow are likely to be rather with Paris than with Berlin ; and so long, and in the measure to which this is the case, the discovery of some tolerable *modus vivendi* between the Poles and the Germans imposes itself as a political necessity.

One economic circumstance, provided that the existing frontiers are maintained, should contribute to facilitate a tolerable political solution. In all this South Baltic region there is plenty of room. The following table will enable the reader to compare the average population per square mile of these territories with the population density of Belgium.

Average Population per Square Mile.

Country		*Density of Population*
Belgium		694
Poland		213
East Prussia		158
The Baltic States	Latvia	76
	Lithuania	111
	Estonia	60

Before the war there were few prospects more attractive to German imperialism than the establishment of a firmly defined sphere of German political and economic influence extending from Hamburg to the Persian Gulf. The *Drang nach Osten* was a main strand in the designs of the Kaiser, who loved to consider himself as the patron and defender of the Moslems all over the world. Indeed, there was nothing more hotly resented in Berlin than the alleged opposition to the construction of the Berlin-Bagdad railway which proceeded from London. Why, it was asked, do the British, who already have so much of the world surface under their flag, grudge us the honourable responsibility of civilising and enriching this Central Asiatic region? There was a period in ancient history when Asia

Minor was one of the wealthiest and most highly civilised regions in the world. Why should not the Germans be permitted without let or hindrance to restore that wealth and that prosperity and furthermore to bring industry and commerce to the valley of the Euphrates? Sir Edward Grey, it will be remembered, did not turn a deaf ear to the German case. On the eve of the war a Treaty was initialled in London, demarcating the respective interests of the two countries in the projected railway and protecting for Britain the head of the Persian Gulf.

If the political and economic conditions for German expansion in the Near East are in some respects more favourable now than they were during the decade preceding the war, the development of the air route to India has greatly reduced the significance of the Bagdad railway. It is not, therefore, from Britain that any objection to the project for reviving German economic and political influences in Asia Minor would arise; but from the new nationalist Turkish state. For the moment the Turks are determined to keep Asia Minor for themselves. Turkish racialism is as strong in Angora as German racialism in Berlin. Yet the Republic is, and has every prospect of remaining, a thinly populated area. In Asia Minor and Turkey together the population per square mile is only forty-five.

Yet even here the density is great if compared to the position in Argentina (10·8) and Brazil (9·3). It is no new thing for Germans, by peaceful penetration, to seek their fortunes in these vast and comparatively empty territories of the South American continent. Indeed, ever since 1840 a substantial element of the European immigration into Brazil has been German, nor is it a fantastic assumption that, if ever the resources of this opulent and little-known region of the earth's surface are fully developed, the achievement will be due to the energy and enterprise of German immigrants. The presence of a flourishing German community on the high plateau of Brazil would constitute a factor in the enrichment of mankind.

The Government of the United States cannot be regarded as popular in Germany. Too many American shells were fired at the Germans during the war to enable cordial relations between the German and American peoples to be promptly established. It is, however, an encouraging sign that the United States has never, despite the temporary estrangement caused by the war, failed to appreciate the importance of

contributing to the economic convalescence of the German Reich. If the reparations problem no longer seriously embitters international relations on the Continent, that result is very largely due to the helpful, though not disinterested, intervention of American business experts and to the improved atmosphere which they were able to create. It is not, therefore, chimerical to hope that when once the present economic troubles in the United States have been surmounted, the government in Washington will co-operate in any manner calculated to assuage the restlessness of the German people. It is not, of course, any more to be expected that the government of the United States will abandon the Monroe doctrine, than that Britain will give up the Magna Charta ; but having so much experience already of the steadiness and industry of her own German population in the Middle West, she may come to the conclusion that it is not to her interest to discourage the formation of a German block of similar force and efficiency in the centre of Southern America. The problem of assisting Germany to find for her natural overspill of population channels along which it can flow peaceably and fruitfully is clearly a matter which concerns the United States as well as Europe.

Starting from the self-evident proposition that nothing could be so disastrous to that revival of world trade of which at last we are beginning to detect incipient signs as a new war, I have expressed my view that a European war in the near future is unlikely. Nobody wants it. Nobody is ready for it. There are important forces ranged on the side of the preservation of peace. On the other hand, a revolution is now in progress in Germany, and in the midst of a revolution people do wild and unexpected things. It seems to us in England, judging from evidence which is no doubt far from perfect, that there are elements of great danger for the future of civilisation in the Nazi teaching, and that already doctrines are being taught to German children of which we can only say that they make out that Right is Wrong and Wrong is Right. All this is very disquieting. We cannot disguise from ourselves that unless a change of heart supervenes these doctrines would ultimately lead to another explosion. The German mind, however, is not all cut to a pattern. There is no country in Europe in which thought so easily divides and re-divides itself, where objections to any plan are more readily conceived, and public men so easily expose themselves to the shafts of ridicule.

Already there are signs in the German Universities that intelligent young men are beginning to weary of the brass bands and other mechanical appliances adopted by the industrious minister of propaganda for the manufacture of Hitlerian souls. Already Christianity, both Catholic and Protestant, is beginning to assert itself against the paganism of the "German Christians." As the country gradually recovers from its present mood of fierce hysteria, these peculiarities of German human nature will tend to reassert themselves, the aureoles of Göring and Goebbels will become dim, and even the infallibility of "Der Führer" will be challenged. It would be a mistake to suppose even now that Germany is as "totalitarian" as she appears to be. In the handling of her domestic problems, which are far more urgent than any question of foreign conquest or expansion, deep differences of view are likely to disclose themselves.

The reconstruction of the German state from floor to rafter is in itself an undertaking which might well demand and exhaust the energies of a generation. Herr Hitler, if we may judge from his recent utterances, is well aware that the first and most imperious call on his energies is the Home Front. He must attend to such things as unemployment, the opposition of the Christians, the condition of the peasantry, and the regulation of trade and industry before he can be in a position to shake the Versailles settlement. There seem many indications that he desires to do so.

Meanwhile, of the many problems which may hereafter vex the peace of Europe one is deserving of special consideration. The atmosphere in which wars are generated is not seldom produced by the anxiety of statesmen to make provision in time for an expanding population. Before the war a very considerable body of German political literature was accumulated round this problem. No small part of the anxiety caused by British, French and Russian policies was due to the fear that the German people were being shut off from the outer world and threatened with exclusion from those opportunities of free and happy development in other continents, which nations more fortunately situated were enabled to enjoy. These anxieties will recur. It is the business of statesmen to allay them. The purpose of the present paper has been to describe in very brief outline the nature of the problem and to suggest that means of dealing with it, while it is not

too late, should occupy the thoughts and enlist the sympathies of those concerned with the management of European affairs.

I have left to the end, since it unhappily plays very little part in the formation of international opinion, or in the calculation of international plans, one consideration more important than all others. Europe is the leader of civilisation. Almost all that is precious in the life of mankind, in music, in art, in letters, and in the amenities and securities of material civilisation, proceeds from the peoples who dwell under the temperate skies of this small peninsula, jutting out from the great Asiatic mass. We may go further still and say that four countries in particular, Italy, France, Germany and Britain, stand out as representatives of this civilisation, and as the chief creators of its specific values. The economic arguments against war in general are, in respect of a struggle between these four peoples, reinforced by moral and cultural considerations of the most compelling nature. If war were eugenic in its effect, if it rooted out the weak elements of a population and left only the strong, there might be something to be said, from this limited point of view, for a periodical blood-letting among the most gifted populations of the world. War, however, notoriously is in the highest degree dysgenic. It spares the old, the elderly, and the weak, and consumes the strong. It kills the potential father of a robust family, and allows the survival of the invalid, the cripple, and the idiot. Lists have been made of the young men of high intellectual promise who in each of these four countries were cut off in the early bloom of manhood. The wastage was tremendous and the loss incalculable.

It ought, therefore, to be felt as a special obligation by the four great culture peoples to keep the peace among themselves. It is a duty which they owe to Europe and to the world. The Four Power Pact, initiated by Signor Mussolini, but not yet ratified, corresponds with the grouping of mankind which a wise and all-powerful statesman, having regard to the largest interests of humanity, would prescribe as a prime necessity of international health. It is a melancholy illustration of the degree to which political passions overpower the real interests of mankind that this pact attracts so little attention, evokes so little interest, and is so far felt to be insecurely rooted in the ground of popular opinion. Yet in the continued co-operation of the four leading civilised powers, within the framework of the League of Nations, much of the hope of the future depends.

H. A. L. Fisher.

Some Implications of the New Dollar

WHEN the Gold Reserve Act was signed at the end of January, and a proclamation was issued fixing the gold content of the dollar at 59·06 per cent. of its former content and raising the price of gold to \$35 per fine ounce, certain immediate consequences, both internal and external, inevitably followed. The internal consequences can be summarised very briefly. Under the terms of the Act, the United States Treasury at once took over from the Federal Reserve Banks their stocks of monetary gold. At its old parity, the gold held by the Treasury at the end of January was valued at \$4,034 millions. A week later, after the transfer and revaluation of the Reserve Bank gold, the Treasury's holdings had risen to \$7,018 millions, so that there was a net increase of \$2,984 millions arising almost entirely from the profit on revaluation. \$2,000 millions of this profit is being allocated to the new American Stabilisation Fund, but the important point to notice is that the dollars arising from this profit have not so far been deposited by the Treasury at the Reserve Banks, and so have not entered into the general banking and credit system of the United States. Hence the new dollars brought into existence by the revaluation of America's stocks of monetary gold are being kept in reserve, and are not at present being liberated to swell the basis of the country's currency and credit.

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It is with the external implications of this revaluation, however, that this article is mainly concerned. In the January issue of LLOYDS BANK MONTHLY REVIEW, the general theory of the gold standard was described, and in particular it was pointed out that if prices inside country A are higher than those inside country B, then goods tend to flow from B to A, while to enable A to pay for her excess of imports from B, she has to ship gold to B. Broadly speaking, the consequence of these gold shipments was to force down A's prices and stimulate a rise in B's prices, until ultimately equilibrium was restored.

Now assume that country A suspends the gold standard, by prohibiting her central bank from selling gold or by prohibiting the exportation of gold. The rate of exchange between A and B is at once left to the mercy of supply and demand. Naturally it will be subject to wide fluctuations, but in the long

run it will tend to move to the point determined by the relative level of internal prices in countries A and B. Thus if A's prices stand at 120 and B's at 80, then the equilibrium rate of exchange is no longer the old parity of 100 units of A's currency to 100 units of B's currency, but becomes 120 units of A's currency to only 80 of B's. In other words, the exchange moves to a premium of 50 per cent. in favour of B; or alternatively to a discount of $33\frac{1}{3}$ per cent. against A.

Next let us assume that after being off gold for a period, country A restores the gold standard, but at a new parity of her currency against gold and so against B's currency, which has remained at a fixed parity against gold all the time. If at the time of the restoration, the quoted exchange rate between A and B is identical with the equilibrium rate, corresponding to the price-levels of the two countries, and if A revalues her currency in such a way as to fix the new parity with B's currency also at that point of equilibrium, then the transition takes place perfectly naturally, and there is no disturbance to prices or trade. If, however, A in revaluing her currency pays no regard to these important points, then serious discontinuities at once arise, which set in motion new disturbing forces which affect both countries.

Thus, at the time of revaluation, the price equilibrium rate of exchange between the two countries may be 120 units of A's currency to 100 of B's; and the actual rate of exchange may be 130 units of A's currency to 100 of B's. Now suppose that A revalues in such a way as to make the new parity 140 units of her currency to 100 of B's, and simultaneously announces that she will buy gold at a price corresponding to this new parity. At once the following discontinuities arise:—

(1) The price at which the central bank of B's country will sell gold is still proportionate to 100 of B's currency. A's central bank, however, is now prepared to pay a price proportionate to 140 of A's currency, whereas the actual rate of exchange is only 130 of A's currency to 100 of B's. Therefore, anyone buying gold from B's central bank and reselling it to A's central bank makes a profit proportionate to 10 units of A's currency.

Therefore, gold is transferred in large quantities from B's central bank to A's central bank, and the transfer goes on until the rate of exchange rises to 140 units of A's currency to 100 of B's. Also, as B's currency has to be purchased in order to

pay for the gold bought from B's central bank, the exchange rate tends to rise from 130 towards the new parity of 140.

(2) The equilibrium rate corresponding to the internal prices of A and B is 120 units of A's currency to 100 units of B's currency. Therefore, as long as the quoted rate of exchange is higher than 120, B's goods will be dearer than A's goods—unless and until either B's internal prices fall, or A's internal prices rise to the new equilibrium point corresponding to the actual rate of exchange. These price movements will tend to take place, because the demand for A's goods will be stimulated by their cheapness, while the demand for B's goods will decline. Again, we have already seen that B will simultaneously be losing gold to A, and as a result of this B's basis of credit will be contracted, her interest rates will rise, and her prices will decline. Simultaneously, if A allows her new gold acquisitions to expand her basis of credit, her prices will rise.

Ultimately, both the quoted rate of exchange, and the equilibrium rate of exchange will approximate to the new parity of 140 units of A to 100 units of B. In the meantime, B will have lost gold to A, and B's prices will fall, while A's prices will rise.

* * *

It is easy to see that to-day country A is represented by the United States, while country B is France. The original par of exchange was Frs.1 = 3·918 cents, and this is the 100 to 100 parity of our example. Between April, 1933, and January 31st, 1934, the period of America's suspension of the gold standard, the dollar depreciated until on January 31st, 1934, the exchange stood at Frs.1 = 6·39 cents. This was equivalent to 100 to 163, to refer again to the theoretical example. The equilibrium rate of exchange is harder to calculate, as it is extraordinarily difficult to compare the internal level of prices (including wages and costs) of two independent countries, but even after allowing for the recovery in American prices during the past year it was certainly much lower than the figures quoted above. A ratio of 100 to 130 is probably not too inaccurate as a representation of the equilibrium rate, which on that basis would work out at Frs.1 = 5·09 cents.

It was at this juncture that the American administration announced the devaluation of the dollar to 59·06 per cent. of its former gold content, thereby making its new parity with the franc 6·63 cents. In comparison with the former parity of

3·918 cents, the new parity is equivalent to a ratio of 100 to 169. The position thus was :—

New parity	100 to 169
Actual exchange	100 to 163
Price equilibrium ratio, say ..	100 to 130

The discrepancies between these three ratios represented the discontinuities which the revaluation of the dollar at this particular point called into being.

Some of the results described in the theoretical and illustrative section of this article quickly followed. Gold at once began to flow from France to the United States. The reason is that at an exchange rate of Frs.1=6·39 cents, gold could be bought from the Banque de France at $33.70 per fine ounce, whereas the United States Treasury were prepared to pay $35 per fine ounce. Even after allowing for the cost of shipment, the margin of $1.30 per ounce left an ample profit.

The fluctuations in the dollar-franc rate of exchange did not entirely bear out the theory already enunciated, because the situation was complicated by the French political troubles of early February. On one day the rate would move upwards, under the influence of gold purchases in France, towards its new parity of Frs.1=6·63 cents, while on another day doubts regarding French stability would drive it downwards again. Moreover, so long as there existed the great disparity between the actual rate of exchange and the price equilibrium rate, the pressure of trade influences (i.e., the actual and anticipated flow of imports and exports) tended to depress the actual rate of exchange in the direction of the equilibrium rate. It is hardly an exaggeration to say that in early February, the dollar-franc exchange was being pulled in both directions at once.

In several other respects, the results have borne out the theory. French wholesale prices have begun to fall—indeed the decline first set in at the New Year, when the American intention to revalue the dollar was announced, and up to the middle of February it amounted to 1·2 per cent. American prices have slowly risen, and once more the beginning of the increase coincided with the announcement, and anticipated the event of the dollar revaluation. French gold losses have been followed by an increase in the Banque de France's rediscount rate from 2½ to 3 per cent., which again is in accordance with theory. Incidentally the New York rediscount rate has been

reduced from 2 to $1\frac{1}{2}$ per cent., but as the rediscount rate is at the moment not effective, this is more a gesture than a consequence of the revaluation of the dollar.

Two doubts, however, existed in the middle of February. The first related to the American position. Strictly speaking, the United States has not returned to gold, for the Treasury does not engage to buy foreign gold indefinitely, but only "until further notice." Furthermore, the current price of $35 per fine ounce is not fixed by law, but can be changed without warning to any price within the statutory limits of $34.45 and $41.34 per fine ounce. Gold shipments to the United States are not, therefore, without certain elements of risk, sufficient to impede the normal operation of the gold standard and the normal approximation of the dollar-franc exchange to its new parity.

The other doubt arises in France. It may be that American and French products are not sufficiently competitive for French internal prices to be seriously depressed by the revaluation of the dollar, but if the French loss of gold to the United States continues, it is difficult to see how a contraction of French currency and credit, and a fall of French prices can be avoided. Now French prices have already fallen during the past few years, and as a result France has not escaped the world-wide problems of the increased burden of real (i.e., commodity as opposed to money) indebtedness, and of growing difficulty in balancing her budget and maintaining her export trade. Just like first England and then the United States, she too may reach the breaking point, and either abandon the gold standard, or else follow the new precedent of Czecho-Slovakia, and, while remaining on gold, deliberately revalue the franc at a new and lower gold content.

If she does this, the present parity of Frs.1=6·63 cents at once goes by the board. She might, for example, elect to devalue the franc by 20 per cent. This would reduce the parity to Frs.1=5·30 cents, which against the first original parity of Frs.1=3·918 cents is equivalent to a ratio of 100 to 136. This is not far off the assumed price equilibrium rate of 100 to 130.

If this happened, the quoted rate of exchange would at once move towards the new parity, and while it was moving there, gold would return from the United States to France. Of course, the United States in its turn could devalue the dollar still further down to the bottom statutory limit of 50 per cent.

This, however, is pursuing future possible developments further than is either necessary or desirable.

* * *

So far no reference has been made to the position of sterling, mainly because sterling is a free currency, not anchored to gold, and so is able to fit into the complex relationship of the dollar and franc at whatever point seems best. Again, as a world currency and as a measure of world prices, neither the dollar nor the franc counts for much in comparison with sterling, with its linked currencies inside and outside the British Empire.

The ideal solution was the one suggested in the January issue of LLOYDS BANK MONTHLY REVIEW, namely that the Governments of the United Kingdom, France and the United States should agree between themselves the new values of their currencies both in terms of each other and in relation to gold; and that the agreement should be based largely on the relations between the internal price-levels of the three countries. Such a solution has been rendered impracticable by the revaluation of the dollar within statutory limits as the result of isolated American action. Indeed it was hardly more than a dream, for the American administration have always before them the goal of the 1926 price-level, and it looks very much as if when they selected 60 per cent. as the upper limit and 59·06 per cent. as the actual point to which to devalue the dollar, they fallaciously connected it with the net fall from 100 to 61·4 in the prices of American primary products which occurred between 1926 and the end of January, 1934.

In actual practice, therefore, all we can do is to play a waiting game until such time as the present discontinuities are smoothed out, and the dollar and franc find a new relationship. This duty is imposed upon us, whether or not France is driven off the gold standard or decides to revalue the franc. So far as can be told, the relation of British prices to French and American prices is such that the pound sterling ought to be quoted against the dollar at a little below the old parity of \$4·866, while it ought to stand at a little over Frs.90 against the franc. These equilibrium rates of to-day, however, are of comparatively little importance, for prices in all three countries are likely to vary considerably during our period of patience. All we can do at the moment is to envisage our ultimate goal in very general terms. We must avoid any temptations to engage in competitive

currency depreciation, or to use our Exchange Equalisation Fund in competition with the new American Stabilisation Fund. We must make it clear that our own fund is used solely to smooth out temporary and speculative fluctuations, and not to give sterling an artificial value. We should welcome a further rise in American prices, for it will reduce and not aggravate existing disparities. Finally we must envisage such an ultimate devaluation of sterling against gold as will assist in establishing a world price-level of a kind which will least disturb an already difficult situation. Our objective is the restoration of equilibrium between the internal and external values and purchasing powers of the pound, dollar and franc, in such a way as will cause a minimum of disturbance to France, the United States and ourselves. This requires patience, rather than precipitate action.

Notes of the Month

The Money Market.—Revenue collection and the redemption of Treasury bills have continued to dominate the money market. Between the New Year and February 24th the total amount of Treasury bills outstanding was reduced from £939 to £850 millions, while those allotted by tender and originally taken up by the banks and the money market were reduced from £597 to £506 millions. This contraction in the supply of bills has made it increasingly difficult to maintain discount rates, so much so that during February the clearing banks were quoting $\frac{15}{16}$ per cent. for May Treasury bills, and $\frac{7}{8}$ per cent. for earlier dates. Other buyers were prepared to accept a lower rate, and dealings in May Treasury bills at $\frac{13}{16}$ per cent. were reported. Money has been none too plentiful during the month. The influx of revenue has at times diverted large sums from bankers' deposits into public deposits at the Bank of England, thereby depriving the money market of funds, while apart from this the large transfers of money first into the Exchequer in the form of tax payments and then back to the banks in the form of Treasury bill repayments, have meant that the banks have never quite known how much free money they have had available for loans to the market. The abnormal activity in the London gold market also involved frequent large transfers of funds. In consequence, it was thought desirable to ease the position of the money market, and this relief took the form of open-market purchases of bills by the authorities at a rate of $\frac{13}{16}$ per cent. Only a relatively small amount of relief, however, had to be afforded in this way. Conditions generally are likely to remain unchanged until March 31st, when the financial year and the period of heavy tax collection both end.

The Foreign Exchanges.—The London exchange market has been dominated by the huge American demand for gold, stimulated by the willingness of the American Treasury to buy gold at $35 per ounce. During the whole month the New York-Paris exchange remained below its new parity of 6·63 cents per franc, and early in the month the margin was sufficient to make it highly profitable to buy gold from the Banque de France for shipment to the United States. The American price of $35 per ounce, when converted into sterling at the prevailing rates of exchange, also proved high enough to tempt heavy sales of gold in the London market at prices which for

one day ran up to 140s. per ounce. As the month progressed these heavy gold purchases by the United States inevitably affected the American exchange, for each such purchase involved the sale of dollars against francs or sterling. As a result, the dollar depreciated against both currencies, so that it became less profitable to ship gold, and by the end of the month the volume of shipments had begun to fall away, while the London price receded to 137s. 1d. per ounce. Nevertheless, the depreciation of the dollar was less than might have been expected to result from the heavy American gold purchases, and it is clear that there has been a sustained demand for dollars. Much of this demand arises from the repatriation of American money which fled abroad during the uncertainties of last year, but, rightly or wrongly, there is a general impression that the dollar is now a more stable currency, and there has lately been some investment of foreign funds in New York. In this connection it may be pointed out that the American Treasury only engages to buy gold until further notice, and can also alter by administrative action its price of gold to any point between the statutory limits of $34.45 and $41.34 per ounce, corresponding to the 50 per cent. and 60 per cent. limits of the legal devaluation of the dollar. These possibilities clearly affect the stability of the dollar, at least against the franc, while it is also uncertain how much American money is still in Europe awaiting repatriation; and this governs closely the amount of gold which the United States can still afford to buy. It is natural that these further additions to America's gold hoards should be causing some perturbation, but so far as sterling is concerned, little anxiety need be felt. The pound is still free from gold, and the reserves held by the Bank of England are very considerable. Furthermore, when the time comes to devalue the pound against gold, one of the factors we can take into account is the quantity of free monetary gold at the world's disposal. The position of the gold standard countries, of course, is different, as every loss of gold narrows their basis of credit and has a deflationary effect.

The Stock Exchange.—After a relatively quiet opening, February proved to be a very active month. The gilt-edged market became very firm. Many investors, including several large institutions, were impressed by arguments advanced in favour of a further fall in interest rates. The prospects of a budget surplus leading to reductions in taxation were additional

factors in favour of gilt-edged prices. Dominion Government issues also improved on the completion of Australia's conversion operations, which was effected under eminently suitable conditions. Foreign bonds were irregular but a shade harder on balance. The unilateral Brazilian decree was not regarded with favour. Home railway stocks resumed their advance, being aided by good traffic returns and also by the cautiously favourable views expressed at the annual meetings. Industrials were very firm, partly because of good company reports and favourable trade returns, and partly because of the higher production indices recorded in 1933. Tea shares were inactive, and rubber shares dull on official statements that the restriction negotiations had not reached a definite outcome. Gold mines were quieter, owing to the recession of the London gold price below the peak of 140s. per fine ounce touched early in February. There was a moderate interest in tin shares, based on the belief that the year's restricted supplies will fall short of demand. Copper shares were steady. The oil market was subject to fluctuations with no real forward movement. The American oil outlook appears a little less hopeful.

Overseas Trade.—The January trade returns were in some respects a little disappointing. Exports of British goods only totalled £31·6 millions, and though this figure shows an improvement of £1·2 millions over December, it was below the figures of £34·1 millions and £34·4 millions recorded for November and December. It must be remembered, however, that owing to delays in the collection of the necessary information, the January returns really include the last week of December and the first three weeks of January, and therefore embraced the Christmas and New Year holiday periods. This may account for the apparent diminution. Imports are much more encouraging. The January returns were better than those of the autumn months, and the whole of the improvement is due to increased imports of raw materials. These amounted to £21·3 millions in January, 1934, against only £15·0 millions in January, 1933, and while prices are now somewhat higher than they were a year ago, there have also been considerable increases in the volume of raw material imports. Taking a broad view, we are undoubtedly now buying more raw materials for use in home trade. Against this, our overseas trade, though a little better than a year ago, is still much below its volume of six years ago :—

Description.	January, 1933	January, 1934	Increase (+) or Decrease (−)
	£ mn.	£ mn.	£ mn.
Total Imports	53·9	64·7	+10·8
Retained Imports	49·7	60·6	+10·9
Raw Material Imports	15·0	21·3	+ 6·3
Manufactured Goods Imports	11·5	13·9	+ 2·4
Total Exports, British Goods	29·2	31·6	+ 2·4
Coal Exports	2·6	2·4	− 0·2
Iron and Steel Exports	2·3	2·5	+ 0·2
Cotton Exports	5·3	5·1	− 0·2
British Manufactured Goods Exports ...	22·1	24·2	+ 2·1
Re-exports	4·2	4·1	− 0·1
Total Exports	33·4	35·7	+ 2·3
Visible Trade Balance	−20·5	−29·0	− 8·5

Late in February the Board of Trade issued its annual estimate of our balance of payments. Comparing 1933 with 1932, our surplus of imports over exports of merchandise and silver has fallen from £287 to £264 millions. Shipping earnings have shrunk from £70 to £65 millions, but there is a somewhat surprising improvement from £145 to £155 in our income from overseas investments. Other sources of income remain unchanged at £40 millions, so that in so far as all the above items are concerned, there has been a net improvement of £28 millions. In 1932 the Government received £5 millions from overseas, but paid out £29 millions in respect of the American war debt. In 1933, Government receipts and payments, including the American debt token payments, approximately cancelled out. If it is legitimate to include the American debt payments, Government net payments abroad fell from £24 millions in 1932 to nothing in 1933. There was thus a total improvement of £52 millions. The amended estimate of the total adverse balance for 1932 was £56 millions, and the 1933 adverse balance is only £4 millions. When allowance is made for the lack of precision in these figures, it is fair to say that our foreign payments and receipts approximately balance. This is a great improvement in comparison with the adverse balance of £104 millions for 1931, and is a further important piece of evidence of our recovery from the difficulties of that year. These estimates, however, take no account of capital movements or gold shipments which last year must have been very considerable indeed. They also indicate that we have no surplus in hand for investment abroad, unless such investments can be offset by an increase in our exports.

Home Reports

The Industrial Situation

So far as home trade is concerned the New Year has opened well, and in many industries further progress is being made. General indications are also encouraging. Railway goods traffic receipts were £11·5 millions for the first seven weeks of 1934, against £10·4 millions for the corresponding period a year ago, while provincial bank clearings have risen from £108·7 millions for January, 1933, to £123·7 millions for January last. Retail trade sales have also risen in value by 3·9 per cent. between January, 1933, and January, 1934. All these returns point to the more active movement of goods, and the firmness of wholesale prices, the increased production of iron and steel, and the increase in building activity during the past year are equally indicative of the improvement in trade. On the other hand, several of the reports from industrial centres are beginning to reveal a certain hesitancy regarding new orders, and in one or two places there is a feeling that while outstanding orders are sufficient to occupy manufacturers for some time to come, fresh business is beginning to be needed. These facts at once raise the question as to how far we can hope to base a revival upon home trade alone, or whether in the absence of a re-opening of foreign markets and a general recovery in world trade, we must not eventually expect a check to our own progress.

Agriculture

England and Wales.—According to an official report, farm work at the end of January was more forward than usual. Autumn-sown crops appear satisfactory, and no damage seems to have been caused by frosts. With few exceptions potatoes were keeping well. The health and condition of the ewe flocks was satisfactory, and where lambing had begun the lambs were strong and healthy. Both cattle and sheep have wintered well, and milk yields have been maintained. The supply of roots is getting low in some districts, but winter keep is generally expected to last until the spring. Sheep on turnips have done well.

Scotland.—The remarkably open weather during February has allowed almost uninterrupted progress to be made with

farm work which continues to be very well advanced. In the produce markets oats in particular have been in large supply and all classes of grain have met a poor demand. Potatoes remain a very quiet market. Supplies are plentiful and prices show no improvement. In the livestock markets cattle have been in somewhat lighter supply, while the number of sheep penned was a good average for the season. Prime bullocks have sold readily and secondary grades have also met a good demand. Sheep prices have been rather firmer.

Coal

Hull.—Larger supplies are being offered for export, and prices consequently are easier.

Newcastle-upon-Tyne.—The feature of the market is the strength of Durham coke. Both Northumberland and Durham coals are quieter, and prices are inclined to sag. The weakness is most apparent in Durham coking coal, and gas and bunker qualities.

Sheffield.—Trade has improved during the past month. The export market is better, and the demand for industrial fuel is much improved. Sales of house coal are fair.

Cardiff.—New business, especially for March, is slow, and as stocks are heavy, practically all classes of coal are readily obtainable at recent prices. Sized coals are steady, and there is a good inland demand for coke.

Newport.—Coal shipments improved slightly during January, due to forwardings to the Egyptian State Railways and heavier coastwise shipments. No further increase is expected at present, as Italy is only taking small quantities of Monmouthshire coal, and business with Ireland is checked by the tariff dispute.

Swansea.—There is a good enquiry for best anthracites, and prices are firm. Second qualities are irregular, and inferior grades are weak. There is little enquiry for steam coals, and bunker classes are reviving very slowly.

East of Scotland.—In both Fife and the Lothians the position of steam coal has become rather weak. Washed fuels are also in less demand than at the beginning of the year and prices are inclined to ease. The recent mild weather has accentuated the dearth of business for household coal, and the home trade generally is very quiet.

Glasgow.—The mild weather has seriously affected the demand for coal. Supplies are plentiful, and weakness has developed in the export market, particularly in the case of large coals. Exporters are being handicapped by competition from shippers of Polish coal.

Iron and Steel

Birmingham.—Buying has been checked by the higher prices fixed by the National Association for rolled and re-rolled products, whose new scale of prices came into operation on 1st February, but sufficient specifications have been received to keep mills busy on existing contracts. Some chain manufacturers are a little busier, but there is no improvement in the demand for heavy sections.

Sheffield.—All branches of the steel trade are working under full pressure, and there is every prospect of them being fully employed for some time to come. Makers of basic and acid billets are working up to capacity for the home market, where demand exceeds available supplies. Good reports are also forthcoming from manufacturers of magnet and stainless steels.

Tees-side.—Production of pig-iron continues to expand and there are now six more blast furnaces in operation than at the beginning of the year. Consumption is well maintained, and despite the increase in output, makers have no surplus iron. Prices of both Cleveland and hematite iron have been advanced by five shillings per ton. Practically all business is with home customers, and there is no sign of any improvement in the export trade. Heavy tonnages of semi-finished steel are being supplied to the finishing trades, and there is a slight improvement in the enquiry for shipbuilding materials. Rails are quiet, but a few export enquiries are circulating.

Wolverhampton.—Foundries continue to be well occupied. There is a satisfactory demand for grey castings.

Swansea.—Tinplates are in better demand, and prices are hardening. More tinplates were sold during early February than during any other period since the formation of the pool. This increased activity is due to the fact that both foreign buyers and home canners have decided that it is useless to await any further fall in prices. Conditions in the steel industry are unchanged.

Glasgow.—Makers are still well employed on existing contracts, but new business is beginning to fall away. Demand comes chiefly from home consumers, and export trade is disappointing. There is a lack of the export enquiries which are usually forthcoming at this season of the year. Heavy steel manufacturers are mainly engaged on sections and semi-manufactured material, while sheet makers are well employed on heavy gauges for the home trade. Tube makers are producing good tonnages of hot-rolled and weldless tubes of the larger diameters. Demand for wrought-iron is very restricted, and steel-bar makers, who have lately raised their prices, are feeling the effects of keen Continental competition. The improvement in the demand for pig-iron is reflected in an advance in prices of five shillings per ton, and in an increase to thirteen in the number of furnaces in blast.

Engineering

Birmingham.—Demand from the public for motor cars has fallen off slightly, but manufacturers are busily producing to make up arrears in delivery, and distributors are buying for stock in anticipation of heavy orders in the spring. Local sheet workers supplying the motor industry and other accessory makers are very busy, and report heavy contracts on hand.

Coventry.—The motor car industry is very active, and this is greatly assisting the auxiliary trades. Aeroplane engine manufacturers are also very busy.

Leeds.—A certain number of engineering firms are busy, but a general improvement is not yet in evidence.

Luton.—Makers of both private cars and commercial vehicles are very busy on home and export orders. General engineering is, on the whole, very satisfactory.

Sheffield.—General engineers have made further progress, and prospects are brighter than they have been for some time. Makers of hand and engineers' tools are benefiting from the general trade improvement. The seasonal trade in garden and farm tools is now in full swing, and promises to be much better than for some years past.

Wolverhampton.—General engineering continues to improve. Motor accessory makers are busy, and makers of engines and gear-boxes for cars have extended their plant to meet the

growing demand. Business in small-power motor-cycle units is satisfactory. Electrical engineers report an expansion of export enquiries, and are maintaining a steady output for home trade.

Glasgow.—Shipbuilding contracts in hand on the Clyde now include twenty war-ships, forming part of the British Admiralty's three programmes (1931-33). As regards merchant vessels, Clyde builders are responsible for fully 50 per cent. of the total tonnage now under construction in the United Kingdom. Considerable satisfaction was derived from the announcement of the impending resumption of work on the new Cunarder (No. 534). A number of enquiries for various types of boats were circulating in February. Marine engineers are also much more favourably placed than they were a year ago. Orders in hand amount to about 1,500,000 shaft horse-power of propelling machinery, consisting mainly of high-pressure turbines.

Metal and Hardware Trades

Birmingham.—A steady expansion of business is reported by makers of small-wares, and the recent improvement in the cold-rolled brass and copper sections is well maintained. Orders are coming mainly from the home market, for export trade remains difficult. There is a steady home demand for tubes.

Sheffield.—The scissors section is working full time, but elsewhere trade is quiet, though better than a year ago. The sterling silver, E.P.N.S. and spoon and fork sections are, perhaps, the dullest.

Wolverhampton.—Certain sections of the lock industry report brisk activity, and the outlook is decidedly better.

Cotton

Liverpool.—Weekly forwardings to Lancashire mills are indicative of an improving trade in raw cotton. Manchester advices, on the other hand, show that sales of the finished product, both yarn and cloth, have made no great headway, and the outcome of the "cotton talks" with Japan will be awaited with considerable interest. Under the lead of American markets, and despite the narrow fluctuation in the dollar rate, values have advanced to well over the 6d. level. The rise has

brought into evidence a larger volume of speculative business than the market has seen for some time past, and American reports of the assured abandonment of eleven million acres have added stimulus to the bullish trend engendered by the temporary " stabilisation " of the American dollar. On both sides of the Atlantic buying was heavy, and the resultant advance made Southern holders more reluctant than ever to release their cotton. In consequence, the market, deprived of hedge sales, found a shortage of contracts and impetus was given to a movement, which, despite profit-taking, has left prices ¾d. a pound higher than those last recorded. World consumption of cotton is on an appreciably higher scale, but it is a lamentable fact that the only mills which report full time and remunerative working are those of Japan and the United States. From the viewpoint of growers and merchants, however, the greater movement in the raw material is at least encouraging.

Wool

Bradford.—Wool is selling briskly at the source of supply, but the Bradford demand is slightly easier. Top-makers are not pressing sales of tops, as prices have lately been below parity with the cost of wool in Australia, and so top-makers are not inclined to make any concessions.

Huddersfield.—A slight falling-off in new business is noticeable, but mills are fully employed on orders already in hand and will remain so for some time to come. Manufacturers are confident that the decline in new orders is only temporary.

Hawick.—Manufacturers' calculations have been disturbed by the unsettled state of the American market and by the French quota, and output remains at less than 50 per cent. of capacity. Hosiery and underwear manufacturers are doing a fair business, and so are makers of knitted woollen goods for outerwear, but in all these sections activity is below average. Dyers and spinners are dull.

Other Textiles

Coventry.—The artificial silk industry is extremely active.

Dundee.—The jute market is unchanged. Calcutta raw jute prices remain firm, but owing to the lack of orders spinners

are reluctant to pay higher prices. All sections of the Dundee trade are quiet, and purchases are confined to immediate requirements.

Dunfermline.—The general tendency of the Fifeshire linen trade is firmer, but difficulty is found in making buyers pay the higher prices necessitated by the greatly increased cost of flax and tow. Trade is further hampered by exchange fluctuations. Some moderate lots of linen goods have been bought on home account, but little extension in business with the United States can be expected under present conditions.

Clothing, Leather and Boots

Leeds.—As is usual at this time of the year, the clothing trade is well employed on home orders. Export trade, particularly with the Empire, shows signs of improvement.

Luton.—In the ladies' hat trade Spring business has been slow in developing, but prospects appear favourable.

Northampton.—In the boot and shoe trade little apparent change has occurred since January, but one or two factories appear to be busier than they were a year ago. Leather prices remain firm.

Shipping

Hull.—There is no improvement in the demand for tonnage, and rates remain low.

Liverpool.—Freights are easier, notably in the Australian and River Plate trades. Still, rates are well maintained in the latter trade as regards March-April loadings, and the paucity of grain sales to Europe, combined with the United States exchange situation, easily explains such recession in business as has occurred. Far-Eastern trades remain active. Demand for coal tonnage outwards has been moderate at unchanged rates.

Newcastle-upon-Tyne.—The lack of new outward business has made freights easier for all directions.

Cardiff.—The freight market is steady, but enquiries are very limited in number.

East of Scotland.—In the middle of February there were less than twenty vessels on loading turn at the Forth coaling

ports, and export business has become much quieter. The Port of Leith is only moderately busy, with imports of grain and fruit predominating. Freights are easy.

Glasgow.—The scarcity of f.o.b. orders is reflected in the poor demand for tonnage to load coal at Scottish ports. Rates for the smaller boats are fairly well maintained, but the larger carriers are not offering freely.

Foodstuffs

Liverpool, grain.—Wheat has been a declining market, values of March " options " ruling at around 4s. 2d., or some 3d. per cental lower. Free offerings of Plata, of which liberal supplies have been available, have conduced to the lower price-level, and Argentine shippers, profiting by the confusion resulting from the adjustment of the gold content of the dollar, have made good sales. Trade in Canadian descriptions has been disappointingly small, quotations being at a level substantially in advance of Buenos Aires. The reported bad condition of the American winter crop continues to operate both as a steadying factor and, apparently, as an inducement to Canadian sellers to maintain their prices. French holdings of warehoused grain are such that her import requirements are likely to be negligible this season, and Italy is claiming a similar independence. Maize continues a firm and active market at higher prices, this country with its growing pig-breeding industry being a large-scale buyer. The experimental closing of North-Western area mills caused little dislocation in the flour trade, and prices are without material change. Losses incurred on open contracts by the sudden heavy increase in the duty on imported oats are stated to be considerable, and the tax has been the subject of a strong adverse criticism in market circles.

Liverpool, provisions.—Owing to a good demand and quota restrictions, the prices of Continental bacon have been forced to a comparatively high level. American hams continued scarce, at high rates. Lard values were low and stocks plentiful. The arrivals of Empire butter have been extremely heavy, with low retail rates ruling, and a large consumptive demand has been experienced. The consumption of butter has been a record, estimated at 50 to 60 per cent. over previous years.

The tendency, however, is towards higher retail prices. Cheese was a slow trade during the month, and the low rates for the Cheshire-made factory varieties have helped to depress the market. In the canned goods section meats were generally in good request at firmer prices, and fruits proved in excellent demand at rather higher values.

Fishing

Brixham.—January landings were well up to the average, and prices were firm.

Lowestoft.—January landings by British vessels came to 57,227 tons, valued at £1,502,000. These figures represent improvements of 3,000 tons and £223,000 over January, 1933, and were higher than the returns of any January since 1930. Practically all kinds of fish improved in value, partly because of the stormy weather prevalent over most of the Northern European sea-board. With the exception of landings by foreign vessels direct from the fishing grounds imports have decreased, but thanks to the careful allocation of quotas under the new Act, the aggregate value of foreign supplies has only fallen since January, 1933 from £235,000 to £233,000. An unusual and marked shortage of herrings from Norway has enabled a number of East Coast drifters to carry on a fishery in the Channel and off the South-Eastern coast of Ireland.

Penzance.—Cornish boats have recently been preparing for the long-line fishing. Early in February a few boats made trials and catches from £40 down were landed. Several of the larger boats have been fishing for herring in Irish waters, their catches being landed at Milford. They have done fairly well.

Scotland.—Herring fishing has been active on both the East and West coasts. There were heavy landings at Ayr of winter herring of fair quality. Line fishing round the coast has been somewhat interrupted by fog. Catches have been fair and demand firm.

Other Industries

Carpet-making.—Kidderminster reports that all carpet manufacturers are busy, especially in chenille and spool Axminsters, where some firms have had to work overtime. Narrow Wilton weavers are also better employed, mainly on

very low qualities in competition with French and German makes. Carpets are now very cheap in comparison with the current high cost of wool, but manufacturers are still taking delivery of yarns bought under previous contracts placed when prices were lower, and so have decided recently not to advance their selling prices. Trade with Australia and New Zealand is good, but exports to Scandinavia, Holland and Switzerland are restricted by quotas, and representations are being made to the British Government in the hope that it can secure better terms.

Paper-making and Printing.—Edinburgh paper-makers report that export orders remain very scarce. Home trade is moderately active, and suffices to keep mills well occupied. Book printing is dull, but jobbing and commercial printing is a little better, and more men are being employed.

Pottery.—Longton reports business to be poor, apart from certain factories engaged on special lines. The cheaper grades of earthenware are selling fairly well, but prices are very keen. It was hoped that good orders would be taken at the British Industries Fair.

Timber.—Hull reports that the issue of the new Russian stock lists and prices has attracted considerable attention. The prices appear to be high, but having regard to quality and cost, it is realised that it will be difficult to find competitive stocks from Sweden. The price of 7-inch battens is 35s. per standard over the 1933 price, but owing to last season's advances and the restricted supply of Russian timber, such an increase can only be termed reasonable. The excess demand over the limited supply of 350,000 standards is estimated at 200,000 standards.

Overseas Reports

Australia

From the National Bank of Australasia Limited

Improved retail trade, buoyant stock markets, successful loan conversions both in Australia and London, enhanced wool prices, favourable pastoral conditions, more building, increased employment, larger trade turnovers and stable exchange on London all tend to justify the stronger public confidence that is apparent and to point to the progress Australia has made toward economic recovery. On the other hand, the smaller wheat harvest and low prices for both wheat and butter continue to form adverse local factors.

Canada

From the Imperial Bank of Canada

The improvement in general business which was steadily taking place during the past year, continues without the usual seasonal slackening and is spreading to other industries, including timber for export, mining and iron and steel. Automobile companies report big increases in orders, and the capital industries have been showing some improvement. The low price of wheat continues a depressing factor, with both public and private financial conditions in the wheat-growing districts giving cause for considerable concern.

India

Bombay.—Raw cotton prices have been firmer in sympathy with the trend of American cotton prices, while the abandonment by Japanese spinners of their boycott of Indian cotton also had a stimulating effect. Reports of severe damage to the crop in Gujerat and Kathiawar, due to unusually cold weather, induced considerable short covering.

The new agreement with Japan gives her an import quota into British India as follows :—

(1) Imports into British India of 125 million yards of cotton piece-goods without any obligation to buy Indian cotton.

(2) Imports of 325 million yards in return for purchases of 1 million bales of Indian cotton.

(3) Imports of 400 million yards, provided that she increases her purchases of Indian cotton to 1½ million bales.

Japanese piece-goods imports are to be divided in the proportions of 45 per cent. grey goods, 34 per cent. coloured

goods, 13 per cent. bordered grey goods and 8 per cent. bleached goods, these proportions being subject to minor variations. The customs duties on non-British cotton piece-goods have been lowered to a basic rate of 50 per cent. *ad valorem.*

Business has been unsettled by the conclusion of this agreement, as buyers have been holding back in order to take advantage of the lower duties. The earthquake in Central India has adversely affected trade, and some time must elapse before normal business conditions can be restored.

Calcutta.—The loose jute market was firm early in January. More interest was shown by mills, and a fair business was done at higher prices. Later in the month buyers fell away, and with sellers pressing for business prices declined. Trade in baled jute was firm at higher prices, but again there was a recession towards the end of the month. The tea market was strong immediately after the holidays of January 8th and 9th, but quality has since fallen off, and enquiry became more limited. There was a sharp rise in prices of teas sold for internal consumption.

Rangoon.—The new rice season has opened with an entire lack of demand from Europe, but India has been a fairly free buyer. There is no prospect of any improvement in prices. Timber prices continue their downward tendency in spite of more enquiry from Europe. Indian demand has been more active. Business in hardware is very limited, and dealers are still reluctant to replenish their stocks.

Irish Free State

Owing to the unprecedented fine weather farmers are well advanced in their normal activities, though the shortage of water in some districts is beginning to give rise to feelings of apprehension. Cattle are healthy and in fairly good condition, but trade is slow owing to the quota restrictions. Supplies of pigs and sheep are good, with prices firm. The sugar-beet crop has proved highly satisfactory both in yield and sugar content.

France

From Lloyds & National Provincial Foreign Bank Limited

The January trade returns show that imports amounted to Frs.2,302 millions compared with Frs.2,550 millions the year

before; and exports to Frs.1,512 millions against Frs.1,501 millions in January, 1933. The adverse trade balance for the whole of 1933 was Frs.9,992 millions, against Frs.10,103 millions in 1932, but the decrease arose mainly from a shrinkage in the total trade turnover. Operations on the Paris bourse were seriously curtailed by the recent political disturbances, but the undertone remains steady. French Government issues recovered rapidly when it was learned that M. Doumergue had agreed to form a new Cabinet.

Bordeaux.—As is usual at this time of the year, the wine trade is quiet, but prices, particularly in the better classes, are well maintained. Resin prices appear firm with an upward tendency, despite the fact that there is very little business.

Le Havre.—The temporary settlement of the trade dispute with Brazil has caused local coffee merchants to believe that the incident may now be considered closed. Except for a slight setback at the time of the settlement, prices continue to rise. The demand from coffee roasters and wholesalers, however, remains limited. The general tendency of cotton prices continues upward. Confidence in the success of the American experiment is gaining ground and acting as a stimulant to the market. French spinners, however, are still buying very sparingly.

Lille.—Flax prices remain firm despite very restricted business. Demand for cotton yarn is poor, and prices have not followed the rise in the price of the raw material. Apart from large Government orders there is very little business in the weaving section. The oil-crushing industry is slack, and the price of linseed oil continues to fall.

Marseilles.—The long-awaited Government decree, regulating the importation of oil-seeds, was issued on January 23rd. It fixed imports of ground-nuts in shell at 30 per cent. of foreign origin as against 70 per cent. of French Colonial origin. The proportion for shelled ground-nuts was 70 per cent. foreign, against 30 per cent. French, while the copra quota was 80 per cent. foreign, against 20 per cent. French. Consignments shipped before January 23rd were exempt from these new quotas, and these prices consequently rose to a premium. The olive-oil market is very firm on the shortage of stocks and confirmation of the reports of exterior damage caused by the cold weather.

Roubaix.—Trade in tops has fallen off considerably and prices have dropped. The introduction of a quota regulating imports of tops into Germany has come as a severe blow, and will seriously affect local combers. Combing mills, which normally are fully employed at this time of the year, are working in some cases at only 40 to 50 per cent. of capacity. Business in knitting yarns is fairly good, but demand for coating yarns is poor and prospects are very bad. The weaving section is growing worse each week, and the only remedy is the re-opening of foreign markets, of which there is little hope at present.

Belgium

From Lloyds & National Provincial Foreign Bank Limited

Brussels.—Conditions in the coal trade remain very difficult, and a recent reduction in the price of house coal has failed to stimulate demand. The iron and steel trades are improving. There is a keen British demand for semi-finished products, particularly billets. According to the annual report of the Governor of the National Bank of Belgium covering the year 1933, the iron and steel trades were consolidated by the reconstitution of the International Steel Cartel. The coal trade suffered severely from German competition, but there was some improvement in the glass industry. The textile trades were variable, and cement production fairly satisfactory in spite of obstacles to the export trade.

Antwerp.—A better tendency prevails generally, with greater demand for Colonial products and much activity in wool. Coffee continues irregular, owing to the instability of the Brazilian exchange.

Germany

Largely owing to the execution of the Government's public works programme, trade and employment remain relatively good. After a sharp increase in the number of unemployed from 3,714,000 in November to 4,058,000 in December, due largely to seasonal influences, the figure has since fallen to 3,774,000 for the end of January. Coal production declined from 419,000 tons per day in December to 407,000 tons per day for January, but pig-iron production increased from 17,200 to 17,500 tons per day, and steel output rose from 30,400 to 31,400 tons per day. Exports have fallen from Rm.424 millions

in December to Rm.350 millions in January, while imports rose from Rm.374 to Rm.381 millions. January thus had an adverse trade balance of Rm.31 millions. This was partly due to increased raw material imports, and partly to a recession in exports following the termination of the Christmas trade.

Holland

Apart from a purely seasonal improvement in unemployment, business conditions show very little change. Negotiations are in process with a number of countries for the fixation of import quotas under the new Crisis Import Act. Some industries, including the woollen trade, have derived some slight benefit from the introduction of quotas. The Dutch East Indies continues to present a serious problem. Negotiations regarding rubber restriction have not yet come to an end, but Dutch opinion feels that if restriction is much longer delayed, it will lose much of its good effect. At home, a committee has been appointed to investigate the sugar-beet subsidy, and to see what can be done to assist Java sugar.

Norway

Imports for January amounted to Kr.60·4 millions, against Kr.51·3 millions in December and Kr.44·6 millions in January, 1933. Exports were Kr.47·5 millions, against Kr.50·0 millions in December and Kr.42·6 millions in January, 1933. The import surplus has thus risen to Kr.12·9 millions, against only Kr.1·3 millions in December and Kr.2·0 millions in January, 1933. January witnessed a further increase in the volume of idle tonnage, 174 vessels of 720,066 tons d.w. being laid up at the end of the month, against 143 vessels of 672,262 tons d.w. at the end of December. Gross freight earnings for 1933 totalled Kr.390 millions, against Kr.377·5 millions in 1932, and only Kr.363·8 millions in 1931. The draft budget for 1934–35 totals Kr.397 millions, or an increase of Kr.23·5 millions over the current fiscal year.

Sweden

The outstanding event of the moment is the settlement of the dispute in the building industry which has kept practically all operations at a standstill since 1st April, 1933, and has had serious reactions in other directions. A large number of allied industries will now experience substantial relief. Export

markets have continued firm with a substantial increase in the sale of wood goods, the prices of which are extremely firm. Sales up to the middle of February amounted to 400,000 standards, against only 150,000 standards up to the same date last year. Buyers are displaying greater interest in the pulp market and though prices are, on the whole, unchanged, the tendency is firm. The newsprint situation continues unsatisfactory, and anxiety is felt in the sulphate paper trade owing to the decision of Swedish producers to cancel the minimum prices quoted to Great Britain. It is feared that this will give rise to considerable price irregularity.

Denmark

Wage disputes have caused employers to announce a lock-out comprising about 50,000 men to begin on February 27th. It is hoped that the State arbitrator, who has now taken the matter in hand, will achieve a peaceful solution. There was a further fall during January of Kr.21·8 millions in Denmark's foreign exchange reserves. This is ascribed to forward coverings by importers who are nervous of the outlook for the krone. Butter prices have improved from Kr.135 to Kr.146 per 100 kilos, but it is feared that further arrivals of Australian and New Zealand butter will demoralise the market. Egg prices have fallen to a very low level under the influence of mild weather and increased British production. Bacon remains firm, and Denmark has secured a slight increase in her share of British imports.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited

Home trade remains fairly steady, partly as the result of the strict enforcement of import quotas, but export trade is very weak. The January returns recorded a reduction of Frs.6·2 millions in exports in comparison with January, 1933. Imports of British motor cars for 1933 showed a considerable increase over the preceding year, while those of American cars declined. Heavy arrivals of American cars, however, are reported during the past few weeks. Hotels in the winter sports centres appear to have been doing better recently. This is probably due to reductions in their charges.

Spain

The Minister of Labour has recently introduced a bill to remedy the growing menace of unemployment by the expenditure of Ptas.1,000 millions over four years in public works. It is proposed to issue Government loans for this amount, redeemable within fifty years. Another measure introduced by the Agrarian party combines a public works programme on a smaller scale with a contributory unemployment insurance scheme at an annual cost to the State of about Ptas.100 millions. The unemployed are estimated at present at about 650,000. Provisional returns for 1933 show ordinary revenue of Ptas.3,943 millions and expenditure of Ptas.4,427 millions, the deficit being covered by issues of Ptas.590 millions of Treasury Bonds in April and October last. Uruguay has denounced its commercial treaty with Spain, and duties of from 50 to 100 per cent. will be applicable to imports from Spain from March 1st. Spanish olive oil producers fear the loss of an important market. A special tariff of 5 centimes per kilo has been imposed on imports of raw cotton, the proceeds to be utilised in the development of cotton growing in Spain.

Morocco

From the Bank of British West Africa Limited

Stocks of imported goods are low, but orders are small owing to the prevailing uncertainty. The disturbances in France and Spain have had their effects in the respective zones in Morocco. Total imports into the French zone during 1933 are returned at approximately 1 million tons valued at 1,533 million francs, and exports at nearly 1¾ million tons valued at over 600 million francs. Compared with 1932 imports are reduced by 252 million francs, and exports by over 84 million francs.

The United States

The main event of the month has been the fixation of the Treasury's price of gold at $35 per fine ounce, but it is emphasised that this price is only in force until further notice. Some uneasiness is felt at the Government's huge borrowing programme, and the Chairman of the Reconstruction Finance Corporations has been at some pains to reassure the New York State Bankers Association as to the capacity of the nation to

bear the proposed debt burden. Meanwhile lavish expenditure of public money is giving some stimulus to trade. Commodity prices are firmer, car-loadings and railroad earnings show some improvement, and sales of automobiles are expanding. Generally speaking, industry is recovering towards the 1931 level, but next May, which is the date fixed for the termination of the Civil Works programme, may be a turning-point in the trend of business.

Sugar has been an active market on reports from Washington that it is to be made a "basic commodity." Rubber prices have been subject to wide fluctuations on rumours of impending restriction. Difficulties in formulating a code for the copper industry are responsible for a weakness of copper prices. Steel mills worked during January at over 34 per cent. of capacity, against 33½ per cent. in December. In early February an improvement to nearly 40 per cent. was reported. This follows a sharp January increase in pig-iron production. Cotton prices have risen on news that plans for the curtailment of next year's crop are being favourably considered in Washington. It is reported that between 80 and 90 per cent. of the planters have consented to the acreage reduction scheme, whereby next season only 25,000,000 acres will be planted. The inducement is the promise of benefit payments aggregating about $130 millions, together with the threat of the Bankhead bill which limits ginnings to 9,000,000 bales, with a tax of 12 cents per lb. on excess ginnings. It is also thought that the carry-over at the end of next July will be 1,500,000 bales below last July's carry-over of 8,170,000 bales. So far the Government has advanced about $58 millions against 1,000,000 bales of unsold cotton, and the same quantity is being held off the market by means of loans to planters from Southern banks.

Japan

The export trade continues favourable but there has been a considerable decrease in imports. The returns for January, 1934, were exports, Y.128 millions, against Y.107 millions in January, 1933; and imports Y.144 millions, against Y.173 millions. Cotton yarn prices have risen on the conclusion of the Indo-Japanese negotiations and the upward tendency of American cotton. There is a revival of American enquiry for raw silk at rising prices. In other commodities a steady tone prevails, and markets are assisted by low rates of interest.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts &Advances.
1933.	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
February 22 ...	*142·2*	*356·2*	*61·7*	*38·7*	*98·3*	*86·4*	*11·9*
1934.							
January 31 ...	190·9	366·7	85·1	52·0	100·6	77·1	8·2
February 7 ...	190·9	368·2	83·6	53·9	101·4	69·5	8·4
February 14 ...	190·9	366·3	85·6	53·8	99·3	79·2	8·2
February 21 ...	191·0	364·6	87·3	53·4	98·3	73·3	8·1

2. TEN CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1933.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
January	*1,982·8*	*91·3*	*255·5*	*113·8*	*431·2*	*472·4*	*764·4*
August	1,965·6	105·5	248·3	90·7	359·0	563·4	758·2
September	1,957·9	105·9	253·7	90·6	355·0	563·2	749·7
October	1,950·8	105·5	265·1	89·2	342·9	559·4	747·5
November	1,928·0	114·0	259·9	98·6	317·1	569·0	737·3
December	1,941·3	116·3	263·6	119·5	311·3	564·6	735·6
1934.							
January	1,920·5	116·8	268·6	129·7	284·3	557·6	734·6

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK, RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.				
			1930.	1931.	1932.	1933.	1934.
			%	%	%	%	%
1914	49·9	January	45·1	45·9	46·5	46·3	48·3
1919	60·7	February	44·2	45·1	44·7	45·8	—
1920	56·7	March	44·5	45·3	44·7	45·8	—
1921	50·7	April	45·1	45·0	45·2	46·0	—
1926	48·6	May	44·0	44·8	45·3	46·4	—
1927	47·4	June	44·4	45·4	45·4	47·1	—
1928	46·4	July	44·7	45·7	46·0	47·4	—
1929	45·2	August	44·4	45·7	45·7	47·9	—
1930	44·7	September ...	44·7	45·0	45·2	47·8	—
1931	45·4	October	44·8	45·3	45·2	47·9	—
1932	45·4	November... ...	44·8	45·3	45·2	47·2	—
1933	47·0	December ...	46·0	46·7	46·2	48·3	—

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London. Bank Rate.	London. 3 Months' discount Rate.	London. Day-to-day Loans.	New York. Re-discount Rate.	New York. 90 Days' eligible Bank acceptances.	New York. Call Money.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1933.						
February 22 ...	*2*	*$\frac{7}{8}$*	*$\frac{1}{2}$—1*	*2$\frac{1}{2}$*	*$\frac{1}{2}$*	*1*
1934.						
January 31 ...	2	1	$\frac{3}{4}$—1	2	$\frac{5}{8}$	1
February 7 ...	2	1	$\frac{3}{4}$—1	1$\frac{1}{2}$	$\frac{5}{8}$	1
February 14 ...	2	$\frac{15}{16}$	$\frac{3}{4}$—1	1$\frac{1}{2}$	$\frac{5}{8}$	1
February 21 ...	2	$\frac{7}{8}$—$\frac{15}{16}$	$\frac{3}{4}$—1	1$\frac{1}{2}$	$\frac{5}{8}$	1

2. FOREIGN EXCHANGES

London on	Par.	1933. Feb. 22.	1934. Jan. 31.	1934. Feb. 7.	1934. Feb. 14.	1934. Feb. 21.
New York ...	\$4·866	3·40$\frac{3}{4}$	4·97$\frac{1}{2}$	5·00$\frac{1}{2}$	5·03$\frac{1}{2}$	5·07$\frac{5}{8}$
Montreal ...	\$4·866	4·08$\frac{3}{8}$	5·01$\frac{1}{4}$	5·03$\frac{1}{2}$	5·07$\frac{1}{2}$	5·11
Paris	Fr. 124·21	86$\frac{3}{8}$	79$\frac{17}{32}$	78$\frac{15}{16}$	77$\frac{9}{32}$	77$\frac{19}{32}$
Berlin	Mk. 20·43	14·24$\frac{1}{4}$	13·18	13·12$\frac{1}{2}$	12·88	12·86
Amsterdam ...	Fl. 12·11	8·42$\frac{1}{2}$	7·77$\frac{1}{2}$	7·71	7·55	7·59$\frac{3}{4}$
Brussels ...	Bel. 35	24·25$\frac{1}{2}$	22·42	22·26$\frac{1}{2}$	21·79	21·88$\frac{1}{2}$
Milan	Li. 92·46	66$\frac{3}{8}$	59$\frac{7}{16}$	59$\frac{1}{8}$	57$\frac{15}{16}$	58$\frac{7}{16}$
Berne	Fr. 25·22$\frac{1}{2}$	17·49$\frac{1}{2}$	16·12	15·99$\frac{1}{2}$	15·72	15·81
Stockholm ...	Kr. 18·16	18$\frac{27}{32}$	19·39	19·39	19·39	19·39
Madrid ...	Ptas. 25·22$\frac{1}{2}$	41$\frac{1}{16}$	38$\frac{3}{4}$	38$\frac{7}{16}$	37$\frac{15}{32}$	37$\frac{23}{32}$
Vienna ...	Sch. 34·58$\frac{1}{2}$	30*	29*	28$\frac{1}{4}$*	28$\frac{1}{4}$*	28$\frac{1}{4}$*
Prague ...	Kr. 164·25	114$\frac{3}{4}$	105$\frac{1}{2}$	104$\frac{3}{4}$	111$\frac{1}{4}$*	123
Buenos Aires ...	47·62d.	41$\frac{3}{4}$†	36$\frac{5}{8}$†	36$\frac{1}{2}$†	36$\frac{1}{8}$†	36$\frac{1}{8}$†
Rio de Janeiro	5·89d.	5$\frac{7}{16}$†	4$\frac{1}{8}$†	4$\frac{1}{8}$†	4$\frac{1}{8}$†	4$\frac{1}{8}$†
Valparaiso ...	Pes. 40	56·50†	51·20†	50·90†	49·75†	50·10†
Bombay ...	18d.	18$\frac{1}{8}$	18$\frac{3}{32}$	18$\frac{3}{32}$	18$\frac{3}{32}$	18$\frac{3}{32}$
Hong Kong ...	—d.	15$\frac{5}{8}$	18	18	18$\frac{1}{4}$	18$\frac{1}{4}$
Shanghai ...	—d.	20$\frac{1}{4}$	16$\frac{1}{4}$	16$\frac{3}{8}$	16$\frac{3}{8}$	16$\frac{1}{4}$

* Nominal. † Official rate.

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To Feb. 17, 1934.	To Feb. 18, 1933.	Expenditure.	To Feb. 17, 1934.	To Feb. 18, 1933.
	£ mn.	£ mn.		£ mn.	£ mn.
Income Tax ...	173·6	189·7	Nat. Debt Service	201·5	258·9
Surtax	37·1	41·0	Northern Ireland Payments...	5·1	5·3
Estate Duties ...	77·3	65·8	Other Cons. Fund Services ...	3·2	2·5
Stamps	16·9	13·7	Supply Services	398·6	386·1
Customs	157·1	147·0	Ordinary Expenditure ...	608·4	652·8
Excise	96·9	111·3	Sinking Fund...	5·4	15·0
Tax Revenue ...	564·5	573·7	Self-Balancing Expenditure ...	73·4	71·9
Non-Tax Revenue	45·2	38·5	Payments to U.S. Government	3·3	29·0
Ordinary Revenue	609·7	612·2			
Self-Balancing Revenue	73·4	71·9			

1. PRODUCTION

Date.	Coal.*	Pig-Iron.	Steel.
1933.	Tons mn.	Tons thou.	Tons thou.
January	*4·4*	*287*	*444*
August	3·4	363	551
September	3·9	360	669
October	4·2	373	668
November	4·4	375	695
December...	4·5	409	669
1934.			
January	4·7	441	711

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1933.	£ mn.	£ mn.	£ mn.	£ mn.
January	*27·1*	*15·0*	*11·5*	*53·9*
August	27·0	16·4	13·0	56·8
September	29·8	14·5	13·1	57·8
October	32·3	15·0	14·2	61·8
November	32·0	17·0	14·5	63·7
December	30·3	18·9	13·6	63·2
1934.				
January	29·1	21·3	13·9	64·7

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1933.	£ mn.	£ mn.	£ mn.	£ mn.
January	*2·4*	*3·8*	*22·2*	*29·2*
August	2·3	3·8	23·9	31·0
September	2·6	4·1	24·6	32·2
October	2·8	4·3	26·1	34·1
November	2·9	4·3	25·7	34·4
December	2·4	3·6	22·6	30·4
1934.				
January	2·6	3·9	24·2	31·6

4. UNEMPLOYMENT

Date.	1928.	1929.	1930.	1931.	1932.	1933.	1934.
End of—	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
January	10·7	12·2	12·6	21·5	22·4	23·1	18·7
February ...	10·4	12·2	13·1	21·7	22·0	22·8	—
March	9·5	10·1	14·0	21·5	20·8	22·0	—
April	9·5	9·9	14·6	20·9	21·4	21·4	—
May	9·8	9·9	15·3	20·8	22·1	20·5	—
June	10·7	9·8	15·4	21·8	22·3	19·5	—
July	11·6	9·9	16·7	22·6	22·9	19·6	—
August	11·6	10·1	17·1	22·7	23·1	19·2	—
September ...	11·4	10·0	17·6	23·2	22·9	18·4	—
October	11·8	10·4	18·7	21·9	21·9	18·1	—
November ...	12·1	11·0	19·1	21·4	22·2	17·9	—
December ...	11·2	11·1	20·2	20·9	21·7	17·6	—

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (Sept. 16th, 1931=100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
1933.					
January	*101·4*	*81·8*	*87·7*	*90·6*	*83·7*
August	106·1	102·2	89·3	86·3	86·6
September	106·5	103·2	87·9	85·9	87·2
October	105·5	103·8	87·2	84·6	87·9
November	105·2	104·0	86·5	84·1	88·2
December	105·4	104·0	87·4	84·5	88·4
1934.					
January	107·7	104·8	87·6	84·7	88·5
January 4th week	108·7	105·1	87·7	84·8	88·3
January 5th week	109·1	105·6	87·2	84·4	88·5
February 1st week	109·5	106·1	87·2	84·5	88·6
February 2nd week	109·7	106·8	87·0	84·5	88·4
February 3rd week	109·6	107·6	86·8	84·3	88·4

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Generale; Italy, Italian Chamber of Commerce; Germany, Statistische Reichsamt.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1928.—*January* ...	*59*	*51*		*70*	*80*	*66*
1930.—*January* ...	*54*	*52*	*115*	*75*	*80*	*64*
1932.—*January* ...	*31*	*54*	*90*	*75*	*75*	*47*
1933.						
January	*22*	*55*	*85*	*70–75*	*70–75*	*41*
August	22	56	80–85	70	70–75	41
September ...	23	56	85	70	70–75	41
October	26	56	85	70	70–75	43
November ...	26	56	85	70	70–75	43
December ...	24	56	85	70–75	70–75	42
1934.						
January	22	56	85	70–75	70–75	41

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.	Cotton, American Middling.	Wool, 64's tops avge.	Pig-Iron, Cleveland No. 3.	Tin, Standard Cash.	Rubber, Plantation Sheet.
	per qr. s. d.	per lb. d.	per lb. d.	per ton. s. d.	per ton. £	per lb. d.
1933.						
January	*27 0*	*5·21*	*23*	*59 6*	*$145\frac{13}{16}$*	$2\frac{5}{16}$
August	30 10	5·83	30	62 6	$215\frac{5}{16}$	$3\frac{7}{8}$
September ...	29 9	5·49	$33\frac{1}{8}$	62 6	$216\frac{15}{16}$	$3\frac{3}{4}$
October	26 9	5·42	$32\frac{1}{4}$	62 6	$223\frac{1}{8}$	$3\frac{15}{16}$
November ...	26 8	5·25	$35\frac{3}{4}$	62 6	$226\frac{13}{16}$	$4\frac{1}{16}$
December ...	26 $7\frac{1}{2}$	5·26	37	62 6	$227\frac{3}{4}$	$4\frac{1}{8}$
1934.						
January	28 1	5·87	$40\frac{1}{2}$	62 6	$226\frac{11}{16}$	$4\frac{1}{8}$